

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Schriever Farms, LLC,

Debtor.

Case No. BKY 14-34614 KHS

Chapter 12 Case

**DEBTOR'S AMENDED NOTICE OF MOTION AND MOTION FOR INTERIM AND
FINAL ORDERS (I) AUTHORIZING
DEBTOR TO UTILIZE CASH COLLATERAL PURSUANT TO 11 U.S.C. § 363, (II)
GRANTING ADEQUATE PROTECTION TO PRE-PETITION SECURED
PARTIES PURSUANT TO 11 U.S.C. §§ 361, 362, 363 AND (III) SCHEDULING
FINAL HEARING PURSUANT TO BANKRUPTCY RULE 4001(b)**

TO: ALL PARTIES IN INTEREST

Schriever Farms, LLC moves the court for the relief requested below and gives notice of hearing. The court will hold a preliminary hearing on December 4, 2014 at 10:30 a.m. in Courtroom No. 8 West, 300 South Fourth Street, Minneapolis, MN 55415. The court will hold a final hearing on December 10, 2014 at 1:30 p.m. in Courtroom No. 8 West, 300 South Fourth Street, Minneapolis, MN 55415.

Any response to this motion must be filed and served not later than December 7, 2014, which is three days before the time set for the hearing (excluding Saturdays, Sundays, and holidays). **UNLESS A RESPONSE OPPOSING THE MOTION IS TIMELY FILED, THE COURT MAY GRANT THE MOTION WITHOUT A HEARING.**

COMES NOW, Schriever Farms, LLC ("Schriever" or "Debtor") as debtor and debtor-in-possession, and pursuant to §§ 105, 361, 362, and 363 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"), and Rules 2002, 4001 and 9014 of the Federal

Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), moves this Court (this “Motion”) to enter an interim order (the “interim Order”) and a final order (the “Final Order”) approving and authorizing Debtor to use cash collateral, grant adequate protection to pre-petition secured parties, and schedule final hearings as necessary. Debtor does not concede that any party has a perfected security interest in cash collateral. However, the purposes of this Motion and the immediate hearing, Debtor will presume that the Bank (as defined below) has a perfected interest.

JURISDICTION AND VENUE

1. On November 20, 2014 (the “Petition Date”), Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the Clerk of this Court. Debtor continues to operate its business and manage its properties as a debtor in possession pursuant to §§ 1107(a) and 1108.

2. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of Debtor’s chapter 12 case and this Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicts for the relief requested herein are Bankruptcy Code §§ 105, 361, 362, and 363, in addition to Bankruptcy Rules 2002, 4001 and 9014.

3. Debtor’s business is the operation of a family farm located in Harmony, Minnesota. This business operations do not constitute “single asset real estate” as that term is defined in Bankruptcy Code § 101 (51B).

FACTUAL BACKGROUND

4. Schriever is a Minnesota Limited Liability Company which owns and operates a dairy herd, feed and equipment and machinery.

5. Schriever began experiencing financial trouble in 2011 when feed prices were exceptional. Schriever, like many other dairies, did not have enough crop land to rent to raise its own feed. Accordingly, Schriever was forced to purchase feed at very high prices. Beginning in 2011, Schriever's expenses exceeded income from dairy product sales.

6. Prior to the Petition date, Schriever received financing for its operation from First Southeast Bank ("Bank") located in Harmony, Minnesota. As a result of Schriever being unable to pay off their crop loans for the years 2012 and 2013, First Southeast Bank, would not extend any additional financing for the dairy operation.

7. As a result of Schriever being unable to obtain additional financing, Schriever received goods and services on account with various vendors. As of the date of filing, Schriever had approximately \$300,000.00 in unsecured debts payable to various dairy vendors.

8. First Southeast Bank is the first secured creditor holding liens and mortgages on all of the dairy cattle, equipment, farm machinery, and feed.

9. First Southeast Bank also is the banking institution where Schriever has their general checking account. The Petition did not include the listing of the checking account but it is now known that Schriever's checking account had a balance of \$16,342.17.

THE PREPETITION COLLATERAL

10. The Bank will need to make a *prima facie* showing of a perfected lien in its favor on Debtor's personal property as of the commencement of this chapter 12 case.

11. The major valuable pieces of the Bank's collateral is its security agreement on all of Schriever's cattle, machinery, cash and feed ("Collateral"). The Collateral has an estimated market value of approximately \$1,056,870.00.

12. As the Collateral secured debt of approximately \$503,163.76, the Bank enjoys a comfortable equity cushion in its collateral.

RELIEF REQUESTED

13. Pursuant to section 363(c)(2) of the Bankruptcy Code, Debtor requests that this Court authorize and approve Debtor's use of the Bank's cash collateral for the payment of Debtor's operating expenses as set forth in the Budget attached hereto as Exhibit "A."

14. Debtor further requests that this Court authorize and approve Debtor's use of cash collateral for the payment of any fees and expenses owed to professionals employed but it ("Professional Expenses") upon the entry of an order from this Court authorizing the payment of such Professional Expenses including an appropriate carve out.

BASIS FOR RELIEF

A. Use of Cash Collateral and Adequate Protection

15. Section 363(c)(2) of the Bankruptcy Code governs the Court's approval of the use of cash collateral and provides that a debtor "may not use, sell, or lease cash collateral . . . unless (A) each entity that has an interest in such cash collateral consents; or (B) the court, after notice and a hearing, authorizes such use, sale, or lease in accordance with the provisions of this section." 11 U.S. C. § 363(c)(2). Section 363(e) of the Bankruptcy Code provides that upon request of an entity that has an interest in property to be used by a debtor, the court shall prohibit

or condition such use as is necessary to provide adequate protection of such interest. 11 U.S.C. § 363(e).

16. A debtor has the burden to establish that the holder of a lien to be subordinated, or whose cash collateral will be used, has adequate protection. 11 U.S.C. § 363(p)(1). Adequate protection must be determined on a case-by-case basis, permitting a debtor maximum flexibility in structuring its adequate protection proposal. See *In re Martin*, 761 F.2d 472, 474 (8th Cir. 1985); *In re George Ruggerie Chrysler-Plymouth, Inc.*, 727 F.2d 1017, 1019 (11th Cir. 1984). Nonetheless, “[a] debtor, attempting to reorganize a business under chapter [12], clearly has a compelling need to use ‘cash collateral’ in its effort to rebuild.” *George Ruggerie*, 727 F.2d at 1019.

17. Debtor needs immediate authority to use the cash collateral to fund Debtor’s day-to-day operations and ultimately achieve a successful reorganization. Specifically, Debtor requires the use of cash collateral for the payment of the operating expenses included in the Budget. The foregoing expenses are reasonable and necessary business expenses which must be paid in order to maintain and preserve its assets and to continue the operation of its business. Debtor currently has no present alternative borrowing source from which it can secure additional funding to operate its business. In sum, the failure to obtain authorization for the use of the Cash Collateral will be fatal to Debtor and disastrous to its creditors, both secured and unsecured.

18. As adequate protection for the use of cash collateral, Debtor contends that based on the value of the Collateral, the Bank’s roughly \$550,000.00 equity cushion in its collateral is more than sufficient adequate protection. Courts have held that the existence of an equity cushion in collateral suffices as ample adequate protection to allow a debtor to use cash

collateral. *See, e.g., In re Las Torres Dev., L.L.C.*, 413 B.R. 687, 696 (Bankr. S.D. Tex. 2009); *In re Triplett*, 87 B.R. 25, 27 (Bankr. W.D. Tex. 1988); *In re McCombs Properties VI, Ltd.*, 88 B.R. 261, 266 (Bankr. C.D. Cal. 1988); *In re Harrington & Recharadson, Inc.*, 48 B.R. 431, 433-34 (Bankr. D. Mas. 1985). Therefore, Debtor submits that the Bank is already adequately protected and thus grounds exist to allow Debtor to use cash collateral.

19. As additional (though unnecessary) adequate protection, Debtor proposes to grant the Bank a replacement perfected security interest under section 361(2) of the Bankruptcy Code (i) to the extent the Bank's cash collateral is used by Debtor, and (ii) to the extent and with the same priority in Debtor's postposition collateral, and proceeds thereof, that the Bank holds in Debtor's prepetition collateral.

20. The replacement lien that Debtor proposes to grant to the Bank shall be deemed to be perfected automatically upon entry of the Interim Order. *See Small V. Beverly Bank*, 936 F.2d 945, 948-49 (7th Cir. 1991).

21. Although not required, upon request by the Bank, Debtor shall execute and deliver to the Bank any and all UCC Financing Statements, and UCC Continuation Statements, or other instruments or documents considered by the Bank to be necessary in order to perfect the security interest and liens granted by this Order, and the Bank is authorized to receive, file and record the foregoing, which actions shall not be deemed a violation of the automatic stay. Any such filing shall be without prejudice to all claims that Debtor asserts against the Bank in any avoidance or other action or that Bank is not perfected in the cash collateral. The Bank shall not make any further charges against Debtor for such documentation.

22. In addition, Debtor proposes to provide the Bank with timely copy of Debtor's chapter 12 monthly operating reports, and any other reports reasonably required by the Bank shall be provided by Debtor.

23. In the event that this Court does not authorize Debtor's use of cash collateral, Debtor believes that it will be unable to maintain its current business operations and propose a successful plan of reorganization.

24. Debtor believes that the proposed adequate protection is fair and reasonable and sufficient to satisfy any diminution in value of the Prepetition Collateral.

B. Interim Approval Should Be Granted

25. Rule 4001(b) of the Federal Rules of Bankruptcy Procedure provides that a final hearing (the "Final hearing") on a motion to use cash collateral pursuant to § 363 may not be commenced earlier than fourteen (14) days after the service of such motion. Upon request, however, the court is empowered to conduct a preliminary expedited hearing on the motion and authorize the use of cash collateral and the obtaining of credit to the extent necessary to avoid immediate and irreparable harm to a debtor's estate.

26. Pursuant to Rule 4001(b). Debtor requests that the Court conduct an expedited preliminary hearing on the Motion (the "Interim Hearing") and grant the relief requested in the proposed Interim Order in order to (a) maintain Debtor's ongoing operations and (b) avoid the immediate and irreparable harm and prejudice to Debtor's estates and all parties in interest that would otherwise ensue.

27. Debtor has an urgent and immediate need for cash to continue to operate. Debtor will be immediately and irreparably harmed absent authorization from the Court to use cash

collateral as requested on an interim basis pending a Final Hearing on the Motion. In the short-term, if Debtor is unable to obtain cash for feed for the dairy cattle, irreparable injury to the cattle and the milk income will be eliminated to the detriment of all parties in interest.

REQUEST FOR FINAL HEARING

28. Debtor also requests that the Court schedule the final hearing during the week that is four weeks after the date of this Motion, with objections, if any, to the Final Order being due in writing on or before the date that is at least three (3) business days prior to the Final Hearing.

NOTICE

29. Notice of this Motion has been provided to the Chapter 12 Trustee, U.S. Trustee, and the Bank. Movant request to offer oral testimony of Paul Schriever, Vice-President of Schriever Farms, LLC for the purpose of explaining the necessity of using cash collateral.

WHEREFORE, Debtor respectfully request that the Court enter an order substantially similar to the order attached hereto as Exhibit "B" and further relief as this Court may deem just and proper.

Dated: November 21, 2014

HAMMELL & MURPHY, P.L.L.P.

By: /s/ Jed J. Hammell
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EXHIBIT A

BUDGET – MONTHLY INCOME AND EXPENSES

Monthly Cash Flow Plan Executive Summary

Projected Cash Flow Summary

Total operating inflow		1,146,573
Total operating outflow	(-)	983,704
Capital purchases	(-)	-
Capital sales	(+)	-
New credit	(+)	-
Loan payments	(-)	133,387
Net cash flow	(=)	29,482
Beginning cash balance	(+)	10,000
Operating loan borrowings	(+)	-
Operating loan principal payments	(-)	-
Ending cash balance	(=)	39,482

Beginning operating loan balance	-
Peak operating loan balance (Jan)	-
Ending operating loan balance	-

Projected Change in Working Capital

Change in cash		29,482
Change in current inventories	(+)	309,456
Change in operating loan balance	(-)	-
Change in other current loans	(-)	-44,320
Change in princ due on term loans	(-)	-668
Estimated change in working capital	(=)	383,926

Projected Income Statement

Gross cash farm income		1,146,573
Inventory change - income items	(+)	-1,236
Gross revenue	(=)	1,145,337
Cash farm operating expense		912,704
Interest expense	(+)	23,137
Depreciation	(+)	43,693
Inventory change - expense items	(+)	-310,692
Total farm expense	(=)	668,842
Net farm income		476,495

Projected Earned Net Worth Change

Net farm income		476,495
Family living expense	(-)	71,000
Income taxes accrued	(-)	-
Earned net worth change	(=)	405,495

Term Debt Coverage

Net farm income from operations		476,495
Depreciation	(+)	43,693
Personal income	(+)	-
Family living expense	(-)	71,000
Income taxes accrued	(-)	-
Interest on term debt	(+)	19,193
Capital debt repayment capacity	(=)	468,381
Term debt payments		88,258
Capital debt repayment margin		380,123
Term debt coverage ratio		5.31

Financial Standards Measures

	Beginning	Ending
Liquidity		
Current ratio	0.5	3.4
Working capital	-227,913	156,013
Working capital to gross revenue	-19.9 %	13.6 %

Solvency (market)		
Debt to asset ratio	67.9 %	31.5 %
Debt to equity ratio	2.1	0.5

Profitability (market)		
Net farm income		476,495
Rate of return on assets		43.7 %
Rate of return on equity		83.7 %
Operating profit margin		68.1 %
EBITDA		547,216

Repayment Capacity		
Term debt coverage ratio (farm)		5.31
Replacement margin coverage ratio		5.31

Efficiency		
Asset turnover rate (market)		64.3
Operating expense ratio		52.9 %
Depreciation ratio		3.8 %
Interest expense ratio		1.7 %
Net farm income ratio		41.6 %

Other		
Term debt coverage (farm+personal)		5.31
Term debt to EBITDA		0.65

Shocks to Farm Term Debt Coverage Ratio

10% decrease in gross income	4.01
10% increase in operating expenses	4.62
3% increase in interest rates	4.69

	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Total</i>
CASH INFLOWS													
Beg cash bal	10000	7570	29458	31893	45634	49070	63065	66001	79996	82932	96927	100363	10000
Milk	96504	96504	88112	88112	88112	88112	88112	88112	88112	88112	88112	88112	1074133
Cull stock													
Cows	-	11115	-	11115	-	11115	-	11115	-	11115	-	11115	66690
Misc. Ivstk													
Bull Calves	396	396	396	396	396	396	396	396	396	396	396	396	4750
Pat dividend	-	-	-	-	500	-	-	-	-	-	500	-	1000
Total inflow	106900	115585	117966	131516	134642	148693	151574	165624	168505	182555	185936	199986	1156573
CASH OUTFLOWS													
Purch. feed	34749	34749	34749	34749	34749	34749	34749	34749	34749	34749	34749	34749	416983
Breeding	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	19950
Veterinary	2374	2374	2374	2374	2374	2374	2374	2374	2374	2374	2374	2374	28489
BST	2611	2611	2611	2611	2611	2611	2611	2611	2611	2611	2611	2611	31337
Supplies	4986	4986	4986	4986	4986	4986	4986	4986	4986	4986	4986	4986	59826
DHIA	348	348	348	348	348	348	348	348	348	348	348	348	4178
Hauling	1424	1424	1424	1424	1424	1424	1424	1424	1424	1424	1424	1424	17093
L. Marketing	796	851	796	851	796	851	796	851	796	851	796	851	9880
Bedding	1978	1978	1978	1978	1978	1978	1978	1978	1978	1978	1978	1978	23741
Fuel & oil	4167	4167	4167	4167	4167	4167	4167	4167	4167	4167	4167	4167	50000
Repairs	2917	2917	2917	2917	2917	2917	2917	2917	2917	2917	2917	2917	35000
Cust hire	542	542	542	542	542	542	542	542	542	542	542	542	6500
Labor	7375	7375	7375	7375	7375	7375	7375	7375	7375	7375	7375	7375	88500
Farm insur.	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	20000
Utilities	1417	1417	1417	1417	1417	1417	1417	1417	1417	1417	1417	1417	17000
Dues & fees	333	333	333	333	333	333	333	333	333	333	333	333	4000
Misc.													
Feed/Individ	-	-	-	-	-	-	-	-	-	-	-	75227	75227
Misc	417	417	417	417	417	417	417	417	417	417	417	417	5000
Total	417	417	417	417	417	417	417	417	417	417	417	75644	80227
Living/Draw	5917	5917	5917	5917	5917	5917	5917	5917	5917	5917	5917	5917	71000
Min end bal	500	500	500	500	500	500	500	500	500	500	500	500	500
Tot. outflow	76179	76234	76179	76234	76179	76234	76179	76234	76179	76234	76179	151461	984204
Opr. surplus	30721	39351	41787	55283	58463	72459	75395	89390	92326	106321	109757	48525	172369

	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Total</i>
LOAN PAYMENTS													
CNH-Farm													
Prin pay	1281	1281	1281	1281	1281	1281	1281	1281	1281	1281	1281	1281	15372
Int. pay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1281	1281	1281	1281	1281	1281	1281	1281	1281	1281	1281	1281	15372
Capit-Farm..													
Prin pay	1375	1375	1375	1375	1375	1375	1375	1375	1375	1375	1375	1375	16500
Int. pay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1375	1375	1375	1375	1375	1375	1375	1375	1375	1375	1375	1375	16500
FSEB-FSEB..													
Prin pay	5200	-	-	-	-	-	-	-	-	-	-	-	5200
Int. pay	398	-	-	-	-	-	-	-	-	-	-	-	398
Total	5598	-	-	-	-	-	-	-	-	-	-	-	5598
FSEB-FSEB..													
Prin pay	100	-	-	-	-	-	-	-	-	-	-	-	100
Int. pay	3	-	-	-	-	-	-	-	-	-	-	-	3
Total	103	-	-	-	-	-	-	-	-	-	-	-	103
FSEB-FSEB..													
Prin pay	7148	-	-	-	-	-	-	-	-	-	-	-	7148
Int. pay	408	-	-	-	-	-	-	-	-	-	-	-	408
Total	7556	-	-	-	-	-	-	-	-	-	-	-	7556
Stear-Act ..													
Prin pay	376	473	475	476	478	480	482	484	487	489	491	493	5683
Int. pay	166	69	67	65	63	61	59	57	55	53	51	49	817
Total	542	542	542	542	542	542	542	542	542	542	542	542	6500
AMPI-ATO													
Prin pay	198	300	302	303	304	305	306	308	309	310	311	312	3567
Int. pay	178	75	74	72	71	70	69	68	66	65	64	63	935
Total	375	375	375	375	375	375	375	375	375	375	375	375	4502
GECr-Bobcat													
Prin pay	483	495	497	253	-	-	-	-	-	-	-	-	1728
Int. pay	17	5	3	1	-	-	-	-	-	-	-	-	27
Total	500	500	500	255	-	-	-	-	-	-	-	-	1755
FSEB-FSEB..													
Prin pay	440	3285	3299	3314	3328	3343	3357	3372	3387	3402	3417	3432	37376
Int. pay	4360	1515	1501	1486	1472	1457	1443	1428	1413	1398	1383	1368	20224
Total	4800	4800	4800	4800	4800	4800	4800	4800	4800	4800	4800	4800	57600
FSEB-FSEB..													
Prin pay	18	76	77	77	77	77	78	78	78	79	79	79	874
Int. pay	70	11	11	11	10	10	10	10	9	9	9	8	178
Total	88	88	88	88	88	88	88	88	88	88	88	88	1052
AMPI-Gener..													
Prin pay	387	415	417	419	421	422	424	426	428	429	431	82	4702
Int. pay	46	18	16	15	13	11	9	7	6	4	2	0	147
Total	433	433	433	433	433	433	433	433	433	433	433	83	4849
Luana-Trac..													
Prin pay	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
Int. pay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
Tot loan pay	23651	10394	10394	10148	9894	9894	9894	9894	9894	9894	9894	9543	133387

	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Total</i>
Surp. or def	7070	28958	31393	45134	48570	62565	65501	79496	82432	96427	99863	38982	38982

ANNUAL OPERATING LOAN TRANSACTIONS & BALANCES

Beg AO bal	-	-	-	-	-	-	-	-	-	-	-	-	-
AO borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-
AO int. pay	-	-	-	-	-	-	-	-	-	-	-	-	-
AO prin. pay	-	-	-	-	-	-	-	-	-	-	-	-	-
End AO bal.	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued int.	-	-	-	-	-	-	-	-	-	-	-	-	-
End cash bal	7570	29458	31893	45634	49070	63065	66001	79996	82932	96927	100363	39482	39482

CROP & LIVESTOCK PRODUCTION

Enterprise	Units	Production Per Unit	Share	Operator Production
Dairy	190.0 Cow	26500.0 lb.		5035000 lb.
Total crops	0 Acres			

CROP & LIVESTOCK SUMMARY

		Beg	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
Hay equivalents															
Inventory	ton	332	332	332	332	332	332	332	332	332	332	332	332	332	332
Silage equivalents															
Inventory	ton	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000
Milk															
No. Cows			190	190	190	190	190	190	190	190	190	190	190	190	
Produced			419583	419583	419583	419583	419583	419583	419583	419583	419583	419583	419583	419583	5035000
Price	\$/cwt.		23.00	23.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.33

PROJECTED INVENTORY CHANGE

Commodity	Begin Inventor	\$/Unit	Begin Value	Ending Inventory	\$/Unit	Ending Value	Change
Hay equivalents	332	149.40	49600	332	150.00	49800	200
Silage equivalents	3000	30.00	90000	3000	35.00	105000	15000
Accounts receivable			27000			27000	0
Hedging accounts			0			0	0
Other current assets			16436			0	-16436
Total income items			183036			181800	-1236
Prepaid expenses & supplies			0			0	0
Growing crops			0			0	0
Accounts payable		(End)	0	(Beg)	306800	306800	306800
Accrued interest		(End)	0	(Beg)	3892	3892	3892
Total expense items			0			310692	310692
Total inventories			183036			492492	309456

TOTAL PLANNED INPUT QUANTITIES

Description	Unit	2014/15
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EXHIBIT “B”
PROPOSED INTERIM ORDER

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Schriever Farms, LLC,

Case No. BKY 14-34614 KHS

Debtor.

Chapter 12 Case

**INTERIM ORDER (I) AUTHORIZING
DEBTOR TO UTILIZE CASH COLLATERAL PURSUANT TO 11 U.S.C. § 363, (II)
GRANTING ADEQUATE PROTECTION TO PRE-PETITION SECURED
PARTIES PURSUANT TO 11 U.S.C. §§ 361, 362, 363 AND (III) SCHEDULING
FINAL HEARING PURSUANT TO BANKRUPTCY RULE 4001(b)**

This matter came to be heard upon the motion (the “Motion”) of Schriever Farms, LLC, pursuant to §§ 361, 362, and 363(c) of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”), and Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), for:

- a. Authorization of Debtor’s use of cash collateral for the payment of Debtor’s operating expenses as set forth in Exhibit “A” attached to the Motion;
- b. Granting of adequate protection to pre-petition secured parties; and
- c. Scheduling a final hearing (“Final Hearing”).

Upon consideration of Verified Motion; the Court having jurisdiction to consider the Motions and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; due notice of this Motion has been provided to (1) the Chapter 12 Trustee, (2) the U.S. Trustee, and (3) the Bank; and it appearing that no other or further notice need be provided; the Court having determined that the relief sought in the Motion is in the best interests of Debtor, its creditors, and

all parties in interest; upon the Motion and all of the proceedings before this Court; and after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED that the Motion is **GRANTED**; and it is further

ORDERED that Debtor is authorized to use cash collateral for the payment of Debtor's operating expenses consistent with Exhibit "A" attached to the Motion; and it is further

ORDERED that the Court finds that the Bank is adequately protected by virtue of its equity cushion on the cattle, equipment and farm machinery; and it is further

ORDERED that Debtor shall grant the Bank a replacement perfected security interest under section 361(2) of the Bankruptcy Code (i) to the extent the Bank's cash collateral is used by Debtor, and (ii) to the extent and with the same priority in Debtor's postpetition collateral, and proceeds thereof, that the Bank holds in Debtor's prepetition collateral, all without prejudice to any party's right to challenge the Bank's perfection, indebtedness, or any other potential liability; and it is further

ORDERED that such replacement lien shall be deemed to be perfected automatically upon entry of this Order; and it is further

ORDERED that, upon the request by the Bank, Debtor shall execute and deliver to the Bank any and all UCC Financing Statements, and UCC Continuation Statements, or other instruments or documents considered by the Bank to be necessary in order to perfect the security interest and liens granted by this Order, and the Bank is authorized to receive, file and record, the foregoing, which actions shall not be deemed a violation of the automatic stay; moreover, any such filing shall be without prejudice to all claims that Debtor asserts against the Bank in any

avoidance or other action or concerning lack of perfection; finally, the Bank shall not make any further charges against Debtors for such documentation; and it is further

ORDERED that Debtor shall provide the Bank with a timely copy of Debtor's chapter 12 monthly operating reports, and any other reports reasonably required by the Bank shall be provided by Debtor; and it is further

ORDERED that a Final Hearing on this motion shall be scheduled during the week that is four weeks after the date of the Motion, with objections, if any, to the Final Order being due in writing on or before the date that is at least three (3) days prior to the Final Hearing.

Dated this _____ of November, 2014.

United States Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Schriever Farms, LLC,

Debtor.

Case No. BKY 14-34614 KHS

Chapter 12 Case

DEBTOR'S VERIFIED STATEMENT


COMES NOW, Debtor, Schriever Farms, LLC, hereby submits this statements pursuant to Local Rule 4001-2 in respect to Debtor's Motion to Utilize Cash Collateral

1. Debtor estimates that the amount of debt secured by the collateral ("Collateral") as described in Debtor's Motion to Utilize Cash Collateral is \$503,163.76.
2. The estimated value of the Collateral is approximately \$1,056,870.00 at the time of the filing of the chapter 12 Petition and would be approximately the same value at this period of time.
3. The description of the cash collateral consists of approximately \$16,000.00 contained in Debtor's checking account. First Southeast Bank's collateral also consists of dairy cattle, milking equipment and farm machinery.
4. The estimated value of the above described collateral at the end of the period of time for which the debtor currently seeks authorization to use cash collateral would be approximately \$1,056,870.00 with cash of \$16,000.00.
5. Debtor's cash flow projections are attached hereto as Exhibit A.

VERIFICATION

Paul Schriever, as Vice-President of Schriever Farms, LLC, being duly sworn upon oath, deposes and states as follows:

That he is a member and manager of Schriever Farms, LLC in the above-entitled proceeding; that he has read the foregoing Motion and Memorandum to use Cash Collateral and knows the contents thereof and that the same is true of his own knowledge, except as to those matters stated on information and belief, and as to those matters, he believes them to be true.


Paul Schriever

Monthly Cash Flow Plan Executive Summary

Projected Cash Flow Summary

Total operating inflow		1,146,573
Total operating outflow	(-)	983,704
Capital purchases	(-)	-
Capital sales	(+)	-
New credit	(+)	-
Loan payments	(-)	133,387
Net cash flow	(=)	29,482
Beginning cash balance	(+)	10,000
Operating loan borrowings	(+)	-
Operating loan principal payments	(-)	-
Ending cash balance	(=)	39,482

Beginning operating loan balance	-
Peak operating loan balance (Jan)	-
Ending operating loan balance	-

Projected Change in Working Capital

Change in cash		29,482
Change in current inventories	(+)	309,456
Change in operating loan balance	(-)	-
Change in other current loans	(-)	-44,320
Change in princ due on term loans	(-)	-668
Estimated change in working capital	(=)	383,926

Projected Income Statement

Gross cash farm income		1,146,573
Inventory change - income items	(+)	-1,236
Gross revenue	(=)	1,145,337
Cash farm operating expense		912,704
Interest expense	(+)	23,137
Depreciation	(+)	43,693
Inventory change - expense items	(+)	-310,692
Total farm expense	(=)	668,842
Net farm income		476,495

Projected Earned Net Worth Change

Net farm income		476,495
Family living expense	(-)	71,000
Income taxes accrued	(-)	-
Earned net worth change	(=)	405,495

Term Debt Coverage

Net farm income from operations		476,495
Depreciation	(+)	43,693
Personal income	(+)	-
Family living expense	(-)	71,000
Income taxes accrued	(-)	-
Interest on term debt	(+)	19,193
Capital debt repayment capacity	(=)	468,381
Term debt payments		88,258
Capital debt repayment margin		380,123
Term debt coverage ratio		5.31

Financial Standards Measures

	Beginning	Ending
Liquidity		
Current ratio	0.5	3.4
Working capital	-227,913	156,013
Working capital to gross revenue	-19.9 %	13.6 %

Solvency (market)

Debt to asset ratio	67.9 %	31.5 %
Debt to equity ratio	2.1	0.5

Profitability (market)

Net farm income		476,495
Rate of return on assets		43.7 %
Rate of return on equity		83.7 %
Operating profit margin		68.1 %
EBITDA		547,216

Repayment Capacity

Term debt coverage ratio (farm)		5.31
Replacement margin coverage ratio		5.31

Efficiency

Asset turnover rate (market)		64.3
Operating expense ratio		52.9 %
Depreciation ratio		3.8 %
Interest expense ratio		1.7 %
Net farm income ratio		41.6 %

Other

Term debt coverage (farm+personal)		5.31
Term debt to EBITDA		0.65

Shocks to Farm Term Debt Coverage Ratio

10% decrease in gross income		4.01
10% increase in operating expenses		4.62
3% increase in interest rates		4.69

	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Total</i>
CASH INFLOWS													
Beg cash bal	10000	7570	29458	31893	45634	49070	63065	66001	79996	82932	96927	100363	10000
Milk	96504	96504	88112	88112	88112	88112	88112	88112	88112	88112	88112	88112	1074133
Cull stock													
Cows	-	11115	-	11115	-	11115	-	11115	-	11115	-	11115	66690
Misc. Ivstk													
Bull Calves	396	396	396	396	396	396	396	396	396	396	396	396	4750
Pat dividend	-	-	-	-	500	-	-	-	-	-	500	-	1000
Total inflow	106900	115585	117966	131516	134642	148693	151574	165624	168505	182555	185936	199986	1156573
CASH OUTFLOWS													
Purch. feed	34749	34749	34749	34749	34749	34749	34749	34749	34749	34749	34749	34749	416983
Breeding	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	1662	19950
Veterinary	2374	2374	2374	2374	2374	2374	2374	2374	2374	2374	2374	2374	28489
BST	2611	2611	2611	2611	2611	2611	2611	2611	2611	2611	2611	2611	31337
Supplies	4986	4986	4986	4986	4986	4986	4986	4986	4986	4986	4986	4986	59826
DHIA	348	348	348	348	348	348	348	348	348	348	348	348	4178
Hauling	1424	1424	1424	1424	1424	1424	1424	1424	1424	1424	1424	1424	17093
L. Marketing	796	851	796	851	796	851	796	851	796	851	796	851	9880
Bedding	1978	1978	1978	1978	1978	1978	1978	1978	1978	1978	1978	1978	23741
Fuel & oil	4167	4167	4167	4167	4167	4167	4167	4167	4167	4167	4167	4167	50000
Repairs	2917	2917	2917	2917	2917	2917	2917	2917	2917	2917	2917	2917	35000
Cust hire	542	542	542	542	542	542	542	542	542	542	542	542	6500
Labor	7375	7375	7375	7375	7375	7375	7375	7375	7375	7375	7375	7375	88500
Farm insur.	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	20000
Utilities	1417	1417	1417	1417	1417	1417	1417	1417	1417	1417	1417	1417	17000
Dues & fees	333	333	333	333	333	333	333	333	333	333	333	333	4000
Misc.													
Feed/Individ	-	-	-	-	-	-	-	-	-	-	-	75227	75227
Misc	417	417	417	417	417	417	417	417	417	417	417	417	5000
Total	417	417	417	417	417	417	417	417	417	417	417	75644	80227
Living/Draw	5917	5917	5917	5917	5917	5917	5917	5917	5917	5917	5917	5917	71000
Min end bal	500	500	500	500	500	500	500	500	500	500	500	500	500
Tot. outflow	76179	76234	76179	76234	76179	76234	76179	76234	76179	76234	76179	151461	984204
Opr. surplus	30721	39351	41787	55283	58463	72459	75395	89390	92326	106321	109757	48525	172369

	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Total</i>
LOAN PAYMENTS													
CNH-Farm													
Prin pay	1281	1281	1281	1281	1281	1281	1281	1281	1281	1281	1281	1281	15372
Int. pay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1281	1281	1281	1281	1281	1281	1281	1281	1281	1281	1281	1281	15372
Capit-Farm..													
Prin pay	1375	1375	1375	1375	1375	1375	1375	1375	1375	1375	1375	1375	16500
Int. pay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1375	1375	1375	1375	1375	1375	1375	1375	1375	1375	1375	1375	16500
FSEB-FSEB..													
Prin pay	5200	-	-	-	-	-	-	-	-	-	-	-	5200
Int. pay	398	-	-	-	-	-	-	-	-	-	-	-	398
Total	5598	-	-	-	-	-	-	-	-	-	-	-	5598
FSEB-FSEB..													
Prin pay	100	-	-	-	-	-	-	-	-	-	-	-	100
Int. pay	3	-	-	-	-	-	-	-	-	-	-	-	3
Total	103	-	-	-	-	-	-	-	-	-	-	-	103
FSEB-FSEB..													
Prin pay	7148	-	-	-	-	-	-	-	-	-	-	-	7148
Int. pay	408	-	-	-	-	-	-	-	-	-	-	-	408
Total	7556	-	-	-	-	-	-	-	-	-	-	-	7556
Stear-Act ..													
Prin pay	376	473	475	476	478	480	482	484	487	489	491	493	5683
Int. pay	166	69	67	65	63	61	59	57	55	53	51	49	817
Total	542	542	542	542	542	542	542	542	542	542	542	542	6500
AMPI-ATO													
Prin pay	198	300	302	303	304	305	306	308	309	310	311	312	3567
Int. pay	178	75	74	72	71	70	69	68	66	65	64	63	935
Total	375	375	375	375	375	375	375	375	375	375	375	375	4502
GECr-Bobcat													
Prin pay	483	495	497	253	-	-	-	-	-	-	-	-	1728
Int. pay	17	5	3	1	-	-	-	-	-	-	-	-	27
Total	500	500	500	255	-	-	-	-	-	-	-	-	1755
FSEB-FSEB..													
Prin pay	440	3285	3299	3314	3328	3343	3357	3372	3387	3402	3417	3432	37376
Int. pay	4360	1515	1501	1486	1472	1457	1443	1428	1413	1398	1383	1368	20224
Total	4800	4800	4800	4800	4800	4800	4800	4800	4800	4800	4800	4800	57600
FSEB-FSEB..													
Prin pay	18	76	77	77	77	77	78	78	78	79	79	79	874
Int. pay	70	11	11	11	10	10	10	10	9	9	9	8	178
Total	88	88	88	88	88	88	88	88	88	88	88	88	1052
AMPI-Gener..													
Prin pay	387	415	417	419	421	422	424	426	428	429	431	82	4702
Int. pay	46	18	16	15	13	11	9	7	6	4	2	0	147
Total	433	433	433	433	433	433	433	433	433	433	433	83	4849
Luana-Trac..													
Prin pay	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
Int. pay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
Tot loan pay	23651	10394	10394	10148	9894	9894	9894	9894	9894	9894	9894	9543	133387

	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Total</i>
Surp. or def	7070	28958	31393	45134	48570	62565	65501	79496	82432	96427	99863	38982	38982

ANNUAL OPERATING LOAN TRANSACTIONS & BALANCES

Beg AO bal	-	-	-	-	-	-	-	-	-	-	-	-	-
AO borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-
AO int. pay	-	-	-	-	-	-	-	-	-	-	-	-	-
AO prin. pay	-	-	-	-	-	-	-	-	-	-	-	-	-
End AO bal.	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued int.	-	-	-	-	-	-	-	-	-	-	-	-	-
End cash bal	7570	29458	31893	45634	49070	63065	66001	79996	82932	96927	100363	39482	39482

CROP & LIVESTOCK PRODUCTION

Enterprise	Units	Production Per Unit	Share	Operator Production
Dairy	190.0 Cow	26500.0 lb.		5035000 lb.
Total crops	0 Acres			

CROP & LIVESTOCK SUMMARY

		Beg	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
Hay equivalents															
Inventory	ton	332	332	332	332	332	332	332	332	332	332	332	332	332	332
Silage equivalents															
Inventory	ton	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000
Milk															
No. Cows			190	190	190	190	190	190	190	190	190	190	190	190	
Produced			419583	419583	419583	419583	419583	419583	419583	419583	419583	419583	419583	419583	5035000
Price	\$/cwt.		23.00	23.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.33

PROJECTED INVENTORY CHANGE

Commodity	Begin Inventor	\$/Unit	Begin Value	Ending Inventory	\$/Unit	Ending Value	Change
Hay equivalents	332	149.40	49600	332	150.00	49800	200
Silage equivalents	3000	30.00	90000	3000	35.00	105000	15000
Accounts receivable			27000			27000	0
Hedging accounts			0			0	0
Other current assets			16436			0	-16436
Total income items			183036			181800	-1236
Prepaid expenses & supplies			0			0	0
Growing crops			0			0	0
Accounts payable		(End)	0	(Beg)	306800	306800	306800
Accrued interest		(End)	0	(Beg)	3892	3892	3892
Total expense items			0			310692	310692
Total inventories			183036			492492	309456

TOTAL PLANNED INPUT QUANTITIES

Description	Unit	2014/15
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